

CITY OF CALMAR
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2008

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CITY OF CALMAR

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
George Willis	Mayor	Jan 2008
Tim Vandersitt	Mayor Pro Tem	Jan 2008
Karen Kleve	Council Member	Jan 2008
Luther Anderson	Council Member	Jan 2008
David Zweibahmer	Council Member	Jan 2010
John Patrick	Council Member	Resigned Aug 7, 2007
Isaac Phillips	Council Member	
	(Installed Dec. 3, 2007)	Jan 2010
Michele Elsbernd	City Clerk	Indefinite
Richard Zahasky	Attorney	Indefinite
(After December 2007)		
Joe McCasland	Mayor	Jan 2010
David Zweibahmer	Mayor Pro Tem	Jan 2010
Isaac Phillips	Council Member	Jan 2010
Corey Meyer	Council Member	Jan 2012
Larry Huinker	Council Member	Jan 2012
Luther Anderson	Council Member	Jan 2012
Michele Elsbernd	City Clerk	Indefinite
Richard Zahasky	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Calmar, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Calmar's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2007, as discussed in the preceeding

paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Calmar as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.


In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2008 on our consideration of the City of Calmar's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 25 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Calmar's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa

September 29, 2008


Dietz, Donald & Company, CPAs
FEIN 42-1172392



City of Calmar

Joe McCasland
Mayor

Michele Elsbernd
City Clerk

Council Persons

Luther Anderson

Dave Zweibahmer

Corey Meyer

Isaac Phillips

Larry Huinker

The City of Calmar provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements which follow. However, keep in mind that Chapter 11 of the Code of Iowa requires the City to have an audit of its basic financial statements once every four years because the City's population is between 700 and 2,000. Therefore, any financial information presented herein for the fiscal year ended June 30, 2007 has not been audited.

2008 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 17.2%, or approximately \$ 146,000 from fiscal 2007 to fiscal 2008. Property tax decreased approximately \$ 35,000 and bond proceeds increased \$ 138,000.

Disbursements of the City's governmental activities increased 28.9%, or approximately \$ 195,000, in fiscal 2008 from fiscal 2007. Culture and recreation and capital projects disbursements increased \$ 90,000 and \$ 161,000 respectively.

The City's total cash basis net assets increased 3.8%, or approximately \$ 40,000, from June 30, 2007 to June 30, 2008. Of this amount the assets of the governmental activities increased approximately \$ 28,000 and the assets of the business type activities increased approximately \$ 12,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

.....

The Government-wide Financial Statements consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's debt.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases and decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities.

Governmental Activities include public safety, public works, culture and recreation, general government, and capital projects. Property tax, user charges and state grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, and 3) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$ 332,000 to \$ 360,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	<u>Years Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Receipts:		
Program receipts:		
Charges for service	\$ 189	151
Operating grants, contributions and restricted interest	178	159
General receipts:		
Property tax	378	412
Local option sales tax	95	106
Unrestricted interest on investments	12	13
Bond proceeds	138	-
Other general receipts	1	4
Total receipts	<u>991</u>	<u>845</u>
Disbursements:		
Public safety	180	142
Public works	233	302
Culture and recreation	188	98
General government	83	75
Debt service	-	42
Capital projects	176	15
Total disbursements	<u>860</u>	<u>674</u>
Change in cash basis net assets before transfers	131	171
Transfers, net	<u>(103)</u>	<u>(124)</u>
Change in cash basis net assets	28	47
Cash basis net assets beginning of year	<u>332</u>	<u>285</u>
Cash basis net assets end of year	<u>\$ 360</u>	<u>332</u>

The City's total receipts for governmental activities increased 17.2%, or approximately \$ 146,000. The total cost of all programs and services increased approximately \$ 186,000, or 28.9%, with The Rolling Hills capital project being the one new program this year. The significant increase in receipts was the result of proceeds from the issuance of special assessment bonds in 2008.

The City decreased property tax rates for 2008 by an average of 8 percent. This decrease, dropped the City's property tax receipts approximately \$ 34,000 in 2008. Based on increases in rates and assessed

valuations, property tax receipts are budgeted to increase an additional \$ 81,000 next year.

The cost of all governmental activities this year was \$ 860,000 compared to \$ 674,000 last year. However, as shown in the Statement of Activities and Net Assets on page 15, the amount taxpayers ultimately financed for these activities was only \$ 494,000 because some of the cost was paid by those directly benefited from the programs (\$189,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$ 178,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service increased in 2008 from approximately \$ 310,000 to approximately \$ 367,000, principally due to receiving a \$ 67,000 grant from the Iowa Department of Natural Resources. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$ 473,000 in tax (some of which could only be used for certain programs) and other receipts, such as interest and loan proceeds.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 131	130
Sewer	319	326
Total receipts	450	456
Disbursements:		
Water	166	112
Sewer	376	364
Total disbursements	542	476
Change in cash basis net assets before transfers	(92)	(20)
Transfers, net	103	124
Change in cash basis net assets	11	104
Cash basis net assets beginning of year	703	599
Cash basis net assets end of year	\$ 714	703

The business type activities receipts for the fiscal year were \$ 450,000 compared to \$ 456,000 last year. The cash balance increased by approximately \$ 11,000. Total disbursements for the fiscal year increased by 13.0% to a total of \$ 542,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Calmar completed the year, its governmental funds reported a combined fund balance of \$ 359,830, an increase of nearly \$ 28,000 over last year's total of \$ 331,871. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$ 20,725 from the prior year to \$ 260,234. Receipts increased \$ 32,000 from last year and disbursements increased by over \$ 108,000. Intergovernmental receipts increased nearly \$ 70,000 due to a \$ 67,500 grant from the Iowa Department of Natural Resources. Culture and recreation disbursements increased over \$ 86,000, due to the aforementioned grant .

The Special Revenue, Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City. Receipts for fiscal 2008 totaled \$ 137,157 as compared to \$ 124,285 in the previous year. These proceeds will be used for various construction and refurbishing projects within the urban renewal district.

The Special Revenue, Road Use Tax Fund receipts increased from \$ 88,179 to \$ 90,642 in 2008. The balance of \$ 31,393 will be used for future street maintenance.

The Special Revenue, Local Option Sales Tax Fund receipts decreased from \$ 105,513 to \$ 94,570 in 2008. Sales tax receipts can be used for any lawful purpose of the City. The imposition of the sales and service tax has no expiration date.

The Capital Projects, Rolling Hills Fund, had disbursements of \$ 176,351 which were primarily funded by special assessment bond proceeds of \$ 138,000.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance decreased by \$ 32,094, leaving the Water Fund with a balance of \$ 148,900. Receipts for 2008 were \$ 130,752, \$ 1,066 more than in 2007.

The Sewer Fund cash balance increased by \$ 43,727, leaving the Sewer Fund with a balance of \$ 565,254. Receipts for 2008 were \$ 319,925, \$ 6,141 less than in 2007.

BUDGETARY HIGHLIGHTS

During the year, the City amended its budget once. The amendment was approved May 5, 2008. Public safety disbursements were increased by \$ 41,500 to cover the purchase of fire equipment. Business type disbursements were increased by \$ 50,000 to cover unexpected repairs to infrastructure.

The City's receipts were \$ 87,948 more than budgeted. This was primarily due to the City receiving more in grant proceeds, collecting special assessments earlier than anticipated and collecting more in fees than anticipated.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$ 2,309,000 in long-term debt outstanding, compared to \$ 2,359,000 last year , as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2008	2007
General obligation bonds	\$ 445	550
Special assessment bonds	138	-
Revenue bonds	1,726	1,809
Total	\$ 2,309	2,359

The City issued \$ 138,000 of special assessment bonds for work in the Rolling Hills Subdivision. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 583,000 is significantly below its constitutional debt limit of \$ 2.021 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Calmar's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities.

The City has experienced little growth. City population has only increased 5% over the last thirty years. However, taxable valuations have increased 9.7% over 2008.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$ 1.542 million, a decrease of 11.5% under the fiscal 2008 budget. Budgeted bond proceeds decreased by \$ 300,000 from 2008 to 2009. Budgeted disbursements are expected to decrease by approximately \$ 313,000. Capital projects disbursements are expected to decrease by \$ 300,000. The City added no major programs or initiatives to the 2009 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$ 52,000 by the close of 2009.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact City Hall, 101 South Washington Street, Calmar, Iowa 52132-0268.

BASIC FINANCIAL STATEMENTS

CITY OF CALMAR
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
As of and for the Year Ended June 30, 2008

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities						
Public safety	\$ 180,171	38,847	13,116	(128,208)	-	(128,208)
Public works	233,021	73,859	90,642	(68,520)	-	(68,520)
Culture and recreation	188,282	33,006	73,796	(81,480)	-	(81,480)
General government	82,668	16,631	-	(66,037)	-	(66,037)
Capital projects	176,351	26,954	-	(149,397)	-	(149,397)
Total governmental activities	860,493	189,297	177,554	(493,642)	-	(493,642)
Business Type activities						
Water	165,746	130,752	-	-	(34,994)	(34,994)
Sewer	375,817	319,242	-	-	(56,575)	(56,575)
Total business type activities	541,563	449,994	-	-	(91,569)	(91,569)
Total	\$ 1,402,056	639,291	177,554	(493,642)	(91,569)	(585,211)
General receipts						
Property and other city taxes levied for:						
General purposes				229,602	-	229,602
Tax increment financing				137,157	-	137,157
Debt service				11,484	-	11,484
Local option sales tax				94,570	-	94,570
Unrestricted interest on investments				12,107	683	12,790
Bond proceeds				138,000	-	138,000
Sale of assets				1,200	-	1,200
Total general receipts				624,120	683	624,803
Change in cash basis net assets before transfers				130,478	(90,886)	39,592
Transfers				(102,519)	102,519	-
Change in cash basis net assets				27,959	11,633	39,592
Cash basis net assets beginning of year				331,871	702,522	1,034,393
Cash basis net assets end of year				\$ 359,830	714,155	1,073,985
Cash Basis Net Assets						
Restricted						
Streets				\$ 31,393	-	31,393
Urban renewal purposes				8,054	-	8,054
Fire department				18,844	-	18,844
Library				4,623	-	4,623
Debt service				10,455	54,256	64,711
Other purposes				26,227	-	26,227
Unrestricted				260,234	659,899	920,133
Total cash basis net assets				\$ 359,830	714,155	1,073,985

See notes to financial statements.

CITY OF CALMAR
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2008

	Special Revenue			Capital Projects	Nonmajor	Total
	General	Urban Renewal Tax Increment	Road Use Tax	Local Option Sales Tax		
Receipts:						
Property tax	\$ 159,909	-	-	-	65,328	225,237
Tax increment financing collections	-	137,157	-	-	-	137,157
Other city tax	12,855	-	-	94,570	2,994	110,419
Licenses and permits	2,035	-	-	-	-	2,035
Use of money and property	12,107	-	-	-	239	12,346
Intergovernmental	117,165	-	90,642	-	3,000	210,807
Charges for service	91,004	-	-	-	-	91,004
Special assessments	-	-	-	-	26,954	26,954
Miscellaneous	21,058	-	-	-	14,754	35,812
Total receipts	416,133	137,157	90,642	94,570	86,315	851,771
Disbursements:						
Operating:						
Public safety	125,715	-	-	-	54,456	180,171
Public works	136,159	-	86,395	-	10,467	233,021
Culture and recreation	179,289	-	-	-	8,993	188,282
General government	75,273	-	-	-	7,395	82,668
Capital projects	-	-	-	-	176,351	176,351
Total disbursements	516,436	-	86,395	-	176,351	860,493
Excess (deficiency) of receipts over (under) disbursements	(100,303)	137,157	4,247	94,570	(149,397)	(8,722)
Other financing sources (uses)						
Bond proceeds	-	-	-	-	138,000	138,000
Sale of capital assets	-	-	-	-	1,200	1,200
Operating transfers in	132,203	2,918	-	-	26,584	169,962
Operating transfers out	(11,175)	(129,103)	-	(118,000)	-	(272,481)
Total other financing sources (uses)	121,028	(126,185)	-	(118,000)	164,584	36,681
Net change in cash balances	20,725	10,972	4,247	(23,430)	15,187	27,959
Cash balances beginning of year	239,509	(2,918)	27,146	29,590	(15,187)	331,871
Cash balances end of year	\$ 260,234	8,054	31,393	6,160	-	359,830
Cash Basis Fund Balances						
Reserved for debt service	\$ -	-	-	-	10,455	10,455
Unreserved						
General fund	260,234	-	-	-	-	260,234
Special revenue funds	-	8,054	31,393	6,160	43,534	89,141
Total cash basis fund balances	\$ 260,234	8,054	31,393	6,160	53,989	359,830

See notes to financial statements.

CITY OF CALMAR
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the Year Ended June 30, 2008

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts			
Charges for service	\$ 130,752	319,242	449,994
Operating disbursements			
Business type activities	165,746	107,822	273,568
Excess of operating receipts over (under) operating disbursements	(34,994)	211,420	176,426
Non-operating receipts (disbursements)			
Interest on investments	-	683	683
Debt service	-	(267,995)	(267,995)
Non-operating (disbursements)	-	(267,312)	(267,312)
(Deficiency) of receipts (under) disbursements	(34,994)	(55,892)	(90,886)
Operating transfers			
Operating transfers in	2,900	129,103	132,003
Operating transfers (out)	-	(29,484)	(29,484)
Net operating transfers	2,900	99,619	102,519
Net change in cash balances	(32,094)	43,727	11,633
Cash balances beginning of year	180,995	521,527	702,522
Cash balances end of year	\$ 148,901	565,254	714,155
Cash Basis Fund Balances			
Reserve for debt service	\$ -	54,256	54,256
Unreserved	148,901	510,998	659,899
Total cash basis fund balances	\$ 148,901	565,254	714,155

See notes to financial statements.

CITY OF CALMAR

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Calmar is a political subdivision of the State of Iowa located in Winneshiek County. It was first incorporated in 1867 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Calmar has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Winneshiek County Economic Development Board, Winneshiek County Emergency Management Commission and Winneshiek County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the receipt of local option sales tax from the state.

Capital Projects:

The Rolling Hills Fund is to account for capital improvements in the Rolling Hills subdivision.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Calmar maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and

instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation bonds, special assessment bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Special Assessment Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 110,000	17,023	13,800	6,417	86,000	51,780	209,800	75,220
2010	110,000	12,952	13,800	5,775	88,000	49,200	211,800	67,927
2011	115,000	8,773	13,800	5,134	91,000	46,560	219,800	60,467
2012	110,000	4,345	13,800	4,492	94,000	43,830	217,800	52,667
2013	-	-	13,800	3,850	96,000	41,010	109,800	44,860
2014-2018	-	-	69,000	9,626	526,000	160,050	595,000	169,676
2019-2023	-	-	-	-	612,000	76,140	612,000	76,140
2024	-	-	-	-	133,000	3,990	133,000	3,990
Total	\$ 445,000	43,093	138,000	35,294	1,726,000	472,560	2,309,000	550,947

The resolution providing for the issuance of the revenue bonds states that the bonds will only be redeemed from the future earnings of the Enterprise, Sewer Fund and the bond holders hold a lien on the future earnings of the fund.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2008 were \$ 14,743, equal to the required contributions for the year.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 118,000
	Emergency	9,203
	Debt Service	5,000
		<u>132,203</u>
Special Revenue:		
Urban Renewal	General	2,918
Tax Increment		
Calmar Volunteer	General	8,257
Fire Department		
Capital Projects:	Enterprise:	
Rolling Hills	Sewer	26,584
Enterprise:	Special Revenue:	
Water	Urban Renewal	
	Tax Increment	129,103
	Enterprise:	
	Sewer	2,900
		<u>132,003</u>
Total		<u>\$ 301,965</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(6) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial coverage in any of the past three fiscal years.

(7) Commitments

The City had outstanding commitments on construction contracts of \$ 58,526 at June 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CALMAR
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 225,237	-	225,237	214,246	214,246	10,991
Tax increment financing collections	137,157	-	137,157	129,103	129,103	8,054
Other city tax	110,419	-	110,419	98,775	98,775	11,644
Licenses and permits	2,035	-	2,035	4,850	4,850	(2,815)
Use of money and property	12,346	683	13,029	12,475	12,475	554
Intergovernmental	210,807	-	210,807	177,475	177,475	33,332
Charges for service	91,004	449,994	540,998	514,000	514,000	26,998
Special assessments	26,954	-	26,954	-	-	26,954
Miscellaneous	35,812	-	35,812	63,576	63,576	(27,764)
Total receipts	851,771	450,677	1,302,448	1,214,500	1,214,500	87,948
Disbursements:						
Public safety	180,171	-	180,171	159,696	201,196	21,025
Public works	233,021	-	233,021	295,877	245,377	12,356
Culture and recreation	188,282	-	188,282	205,572	205,572	17,290
General government	82,668	-	82,668	95,141	95,141	12,473
Capital projects	176,351	-	176,351	300,000	300,000	123,649
Business type activities	-	541,563	541,563	601,303	651,303	109,740
Total disbursements	860,493	541,563	1,402,056	1,657,589	1,698,589	296,533
(Deficiency) of receipts (under) disbursements	(8,722)	(90,886)	(99,608)	(443,089)	(484,089)	384,481
Other financing sources, net	36,681	102,519	139,200	300,000	273,416	(134,216)
Excess (deficiency) of receipts over (under) disbursements	27,959	11,633	39,592	(143,089)	(210,673)	250,265
Balances beginning of year	331,871	702,522	1,034,393	861,720	1,034,393	-
Balances end of year	\$ 359,830	714,155	1,073,985	718,631	823,720	250,265

See accompanying independent auditor's report.

CITY OF CALMAR
Notes to Required Supplementary Information - Budgetary Reporting
June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control, is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Funds, the Capital Projects Funds, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$ 41,000. The budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF CALMAR
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2008

	Special Revenue						Total
	Employee Benefits	Calmar Volunteer Fire Department	Library Trust	Emergency	Historic Preservation	Debt Service	
Receipts:							
Property tax	\$ 49,221	-	-	4,623	-	11,484	65,328
Other city tax	2,737	-	-	257	-	-	2,994
Use of money and property	-	195	44	-	-	-	239
Intergovernmental	-	3,000	-	-	-	-	3,000
Miscellaneous	-	12,921	1,833	-	-	-	14,754
Total receipts	51,958	16,116	1,877	4,880	-	11,484	86,315
Disbursements:							
Operating:							
Public safety	27,560	26,896	-	-	-	-	54,456
Public works	10,467	-	-	-	-	-	10,467
Culture and recreation	5,243	-	750	-	3,000	-	8,993
General government	7,395	-	-	-	-	-	7,395
Total disbursements	50,665	26,896	750	-	3,000	-	81,311
Excess (deficiency) of receipts over (under) disbursements	1,293	(10,780)	1,127	4,880	(3,000)	11,484	5,004
Other financing sources (uses)							
Sale of capital assets	-	1,200	-	-	-	-	1,200
Operating transfers in	-	8,257	-	-	-	-	8,257
Operating transfers out	-	-	-	(9,203)	-	(5,000)	(14,203)
Total other financing sources (uses)	-	9,457	-	(9,203)	-	(5,000)	(4,746)
Net change in cash balances	1,293	(1,323)	1,127	(4,323)	(3,000)	6,484	258
Cash balances beginning of year	16,650	20,167	3,496	4,333	5,114	3,971	53,731
Cash balances end of year	\$ 17,943	18,844	4,623	10	2,114	10,455	53,989
Cash Basis Fund Balances							
Reserved for debt service	\$ -	-	-	-	-	10,455	10,455
Unreserved:							
Special revenue funds	17,943	18,844	4,623	10	2,114	-	43,534
Total cash basis fund balances	\$ 17,943	18,844	4,623	10	2,114	10,455	53,989

See accompanying independent auditor's report.

CITY OF CALMAR
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2008

Obligation:	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation bonds: Water improvement	Dec 1, 2005	3.70%-3.95%	\$ 650,000	550,000	-	105,000	445,000	20,803
Special assessment bonds: Street improvement	Feb 13, 2008	4.65%	\$ 138,000	-	138,000	-	138,000	-
Revenue bonds: Sewer improvement	Dec 12, 2003	3.00%	\$ 2,300,000	1,809,000	-	83,000	1,726,000	54,270

See accompanying independent auditor's report.

CITY OF CALMAR
BOND MATURITIES
June 30, 2008

General Obligation Bonds			Special Assessment Bonds	
Year Ending June 30,	Water Improvement		Street Improvement	
	Issued Dec 1, 2005		Issued Feb 13, 2008	
	Interest Rates	Amount	Interest Rates	Amount
2009	3.70%	\$ 110,000	4.65%	\$ 13,800
2010	3.80	110,000	4.65	13,800
2011	3.85	115,000	4.65	13,800
2012	3.95	110,000	4.65	13,800
2013		-	4.65	13,800
2014		-	4.65	13,800
2015		-	4.65	13,800
2016		-	4.65	13,800
2017		-	4.65	13,800
2018		-	4.65	13,800
Total		<u>\$ 445,000</u>		<u>\$ 138,000</u>

Revenue Bonds		
Year Ending June 30,	Sewer Improvement	
	Issued Dec 12, 2003	
	Interest Rates	Amount
2009	3.00%	\$ 86,000
2010	3.00	88,000
2011	3.00	91,000
2012	3.00	94,000
2013	3.00	96,000
2014	3.00	99,000
2015	3.00	102,000
2016	3.00	105,000
2017	3.00	108,000
2018	3.00	112,000
2019	3.00	115,000
2020	3.00	119,000
2021	3.00	122,000
2022	3.00	126,000
2023	3.00	130,000
2024	3.00	133,000
Total		<u>\$ 1,726,000</u>

See accompanying independent auditor's report.

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Calmar, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated September 29, 2008. Our report expressed qualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting, because we were not able to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2007. Except as previously discussed, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Calmar's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Calmar's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Calmar's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Calmar's

ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Calmar's financial statements that is more than inconsequential will not be prevented or detected by the City of Calmar's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Calmar's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe items I-A-08, I-B-08 and I-C-08 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Calmar's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Calmar's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the

City of Calmar's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Calmar and other parties to whom the City of Calmar may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Calmar during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

September 29, 2008

Dietz, Donald & Company
Dietz, Donald and Company
FEIN 42-1172392

CITY OF CALMAR
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-A-08 Financial Reporting - As is common in small organizations, the City does not prepare its financial statements, complete with notes, in accordance with U.S. generally accepted accounting principles. Accordingly, the City is unable to, and has not established internal controls over the preparation of financial statements.

Recommendation - As part of the audit, we have been requested to prepare a draft of the City's financial statements, including related notes to the financial statements. The City then performs a review of the financial statements. However, in order to provide improved oversight of the financial preparation services and implement controls over the financial reporting process the City should establish review policies and procedures including the performance of some or all of the following functions:

Review the adequacy of financial statement disclosures.

Review and approve schedules and calculations supporting

amounts included in the notes to the financial statements.

Apply analytical procedures to the draft financial statements.

Apply other procedures as considered necessary by the City.

Response - We will consider this.

Conclusion - Response acknowledged.

- I-C-08 Financial Reporting - During the audit, we identified checks that were issued, but held by the City so that the disbursement might be recorded in the preceding budget year. Four such disbursements totaling \$ 49,374 at June 30, 2007 and six such disbursements totaling \$ 7,300 were found.

Recommendation - Checks should not be written until the service has been performed and the invoice received.

Response - We will do this.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - Disbursements for the year ended June 30, 2008, did not exceed the amounts budgeted.
- II-B-08 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-08 Business Transactions - No business transactions between the City and City officials or employees were noted.
- II-E-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-08 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

- II-G-08 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-08 Revenue Bonds - No instances of non-compliance with the revenue bond resolutions were noted.